



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
MONROE COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MONROE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the Monroe County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances increased by \$208,832 from the prior fiscal year, resulting in a cash balance of \$977,579 as of June 30, 2000.

Debt Obligations:

Loan agreements totaled \$9,210 as of June 30, 2000. Future principal payments of \$9,210 are needed to meet these obligations.

Report Comment:

- The Jailer Should Maintain Proper Accounting Records

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

Kevin Flanery, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Russell Young, Monroe County Judge/Executive

Members of the Monroe County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Monroe County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Monroe County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Monroe County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided for in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Monroe County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 2000, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Kevin Flanery, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Russell Young, Monroe County Judge/Executive
Members of the Monroe County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Monroe County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The Jailer Should Maintain Proper Accounting Records

In accordance with Government Auditing Standards, we have also issued our report dated February 5, 2001 on our consideration of Monroe County, Kentucky's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grants.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
February 5, 2001

MONROE COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

Russell Young	County Judge/Executive
Alonzo Ford	Magistrate
Bill Ferguson	Magistrate
Maxie Harlan	Magistrate
Ronnie Hollinsworth	Magistrate
James Gill	Magistrate

Other Elected Officials:

Douglas Carter	County Attorney
Freddie Kirkpatrick	Jailer
Teresa Sheffield	County Clerk
Joyce Emberton	Circuit Court Clerk
Jerry Gee	Sheriff
Louis Carter	Property Valuation Administrator
William P. Smith	Coroner

Appointed Personnel:

Sheryl Conkin	County Treasurer
Cathy Page	Occupational Tax Collector

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

MONROE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash	\$	545,853
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Road and Bridge Fund:

Cash		383,879
------	--	---------

Jail Fund:

Cash		18,019
------	--	--------

Local Government Economic Assistance Fund:

Cash		25,186
------	--	--------

Monroe County Fire and Rescue Squad Fund:

Cash	4,642	\$ 977,579
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Other Resources

General Fund Type

Monroe County Fire and Rescue Squad Fund:

Amount To Be Provided In Future Years For Fire Truck - Note Principal (Note 4)		9,210
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Total Assets and Other Resources

	\$	986,789
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The accompanying notes are an integral part of the financial statements.

MONROE COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Type

Monroe County Fire and Rescue Squad Fund:

Note Principal Payable For Fire Truck (Note 4)	\$	9,210
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Fund Balances

Reserved:

General Fund Type

General Fund (Note 6)	\$	7,440	
Monroe County Fire and Rescue Squad Fund		<u>4,642</u>	12,082

Unreserved:

General Fund Type

General Fund	\$	538,413	
Road and Bridge Fund		383,879	
Jail Fund		18,019	
Local Government Economic Assistance Fund		<u>25,186</u>	<u>965,497</u>

Total Liabilities and Fund Balances		<u>\$</u>	<u>986,789</u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

MONROE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 2,239,781	\$ 1,141,349	\$ 864,815	\$ 78,104
Transfers In	341,805	146,733		190,000
Borrowed Money	13,928			
Total Cash Receipts	<u>\$ 2,595,514</u>	<u>\$ 1,288,082</u>	<u>\$ 864,815</u>	<u>\$ 268,104</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,004,035	\$ 950,403	\$ 764,087	\$ 264,726
Schedule of Other Expenditures	36,124			
Transfers Out	341,805	195,072	48,233	
Borrowed Money Repaid	4,718			
Total Cash Disbursements	<u>\$ 2,386,682</u>	<u>\$ 1,145,475</u>	<u>\$ 812,320</u>	<u>\$ 264,726</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 208,832	\$ 142,607	\$ 52,495	\$ 3,378
Cash Balance - July 1, 1999	<u>768,747</u>	<u>403,246</u>	<u>331,384</u>	<u>14,641</u>
Cash Balance - June 30, 2000	<u><u>\$ 977,579</u></u>	<u><u>\$ 545,853</u></u>	<u><u>\$ 383,879</u></u>	<u><u>\$ 18,019</u></u>

The accompanying notes are an integral part of the financial statements.

MONROE COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2000
 (Continued)

<u>General Fund Type</u>		<u>Special Revenue Fund Type</u>	
<u>Local Government Economic Assistance Fund</u>	<u>Monroe County Fire And Rescue Squad Fund</u>	<u>Kentucky Community Development Block Grant Fund</u>	<u>Housing And Urban Development Grant Fund</u>
\$ 16,389	\$ 15,805 5,072 13,928	\$ 24,819	\$ 98,500
<u>\$ 16,389</u>	<u>\$ 34,805</u>	<u>\$ 24,819</u>	<u>\$ 98,500</u>
\$	\$ 36,124 4,718	\$ 24,819	\$ 98,500
<u>\$</u>	<u>\$ 40,842</u>	<u>\$ 24,819</u>	<u>\$ 98,500</u>
\$ 16,389 8,797	\$ (6,037) 10,679	\$	\$
<u>\$ 25,186</u>	<u>\$ 4,642</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Monroe County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Monroe County Fire and Rescue Squad as part of the reporting entity.

Additional – Monroe County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Monroe County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are subjected by oversight of state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. A list of Monroe County Fiscal Court's Fund Types, a definition of each, and a list of county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Monroe County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, and Monroe County Fire and Rescue Squad Fund.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Kentucky Community Development Block Grant Fund and the Housing and Urban Development Grant Fund of the Fiscal Court are reported as a Special Revenue Fund Type.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided for in future years.

D. Legal Compliance - Budget

The Monroe County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MONROE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Monroe County Fiscal Court: Monroe County Water District, Fountain Run Water District, Monroe County Ambulance Service, Monroe County Conservation District, and William B. Harlan Library.

Note 2. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2000, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 3. Receivables

The Monroe County Fiscal Court allows customers of the Monroe County Transfer Station to charge the dumping fees. As of June 30, 2000, the Monroe County Fiscal Court had \$3,445 in dumping fees as outstanding receivables.

Note 4. Long-Term Debt

Liabilities of the Monroe County Fire and Rescue Squad Fund are:

Description	Purchase Date	Maturity Date	Interest Rate	Amount
Fire Truck	8/25/1999	10/25/2002	7.75%	\$ 9,210

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 5. Lease-Purchase Agreement

The county has entered into the following lease-purchase agreement:

Liabilities of the General Fund are:

Description	Purchase Date	Maturity Date	Interest Rate	Amount
Fire Truck and Equipment	04/14/1995	04/15/2005	7.19%	<u>\$ 63,906</u>

Note 6. General Fund - Reserved Funds

As of June 30, 2000, funds of \$7,440 of the General Fund were reserved as follows:

- a. Monroe County Fiscal Court received a Housing and Urban Development Grant to construct a community development training center. During fiscal year 2000, the Monroe County Fiscal Court received grant funds totaling \$98,500 and spent funds totaling \$96,500. The unexpended balance as of June 30, 2000, was \$2,000.
- b. Monroe County Fiscal Court received an Area Development Grant to purchase fire communication equipment. During fiscal year 2000, the Monroe County Fiscal Court received grant funds totaling \$5,440 and spent funds totaling \$0. The unexpended balance as of June 30, 2000, was \$5,440.

Note 7. Related Party Transactions

Ronnie Hollinsworth is a magistrate and half owner of Travco Oil from which the county purchased gasoline. The county spent \$1,273 at Travco Oil during fiscal year 2000 for gasoline. \$1,125 of this gasoline was used for transporting prisoners. Jail personnel use Travco Oil to purchase gasoline because Travco Oil is the only gas station in town that is open twenty-four hours.

Note 8. Litigation

In April 1998, the Monroe County Attorney, on behalf of the Monroe County Fiscal Court and Monroe County Taxing Districts, filed a lawsuit against the former Monroe County Sheriff Beverly McClendon and his bonding company, Ohio Farmers Insurance Company. This lawsuit seeks to recover the deficit of \$180,726 in the former Sheriff's tax account. On March 31, 1999, this lawsuit was amended to include the deficit of \$64,973 in the former Sheriff's fee account. The Monroe County Fiscal Court received a Summary Judgement from the Monroe County Circuit Court in the county's favor on June 6, 2000. On October 18, 2000, the Monroe County Attorney received a Notice of Certification of Record of Appeal. The former Monroe County Sheriff Beverly McClendon appealed this decision to the Kentucky Court of Appeals. All required financial statement disclosures appear to have been made and the financial statements appear to be presented fairly.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 9. Insurance

For the fiscal year ended June 30, 2000, Monroe County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1)(2), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 68.210 requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletins 93-002 and 97-001 provide additional accounting and expenditure guidance for acceptable jail canteen operations.

During the fiscal year ending June 30, 2000, the Monroe Jail Canteen received \$18,727 and expended \$19,752. The Jail Canteen reported June 30 ending balances of \$1,683 and of \$658 for 1999 and 2000 respectively.

The Monroe Jail Canteen operations do not fully comply with KRS 445.135(2) and KRS 68.210. The jailer did not maintain the following records: Daily Check Out Sheets, Receipts Journal, and Disbursements Journal.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

MONROE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 840,223	\$ 1,141,349	\$ 301,126
Road and Bridge Fund	647,449	864,815	217,366
Jail Fund	67,245	78,104	10,859
Local Government Economic Assistance Fund	6,200	16,389	10,189
<u>Special Revenue Fund Type</u>			
Kentucky Community Development Block Grant Fund	32,319	24,819	(7,500)
Housing and Urban Development Grant Fund	<u>100,000</u>	<u>98,500</u>	<u>(1,500)</u>
Totals	<u>\$ 1,693,436</u>	<u>\$ 2,223,976</u>	<u>\$ 530,540</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 1,693,436
Add: Budgeted Prior Year Surplus			470,000
Less: Other Financing Uses			<u>(5,072)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 2,158,364</u>

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SCHEDULE OF OPERATING REVENUE

MONROE COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

Governmental Fund Types

<u>Revenue Categories</u>	<u>Totals (Memorandum Only)</u>	<u>General Fund Type</u>	<u>Special Revenue Fund Type</u>
Taxes	\$ 811,383	\$ 811,383	\$
In Lieu Tax Payments	21,402	21,402	
Excess Fees	87,384	87,384	
License and Permits	9,949	9,949	
Intergovernmental Revenues	1,189,394	1,066,075	123,319
Charges for Services	43,440	43,440	
Miscellaneous Revenues	43,076	43,076	
Interest Earned	33,753	33,753	
Total Operating Revenue	<u>\$ 2,239,781</u>	<u>\$ 2,116,462</u>	<u>\$ 123,319</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

MONROE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	General Fund Type		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 560,280	\$ 524,543	\$ 35,737
Protection to Persons and Property	420,016	382,092	37,924
General Health and Sanitation	110,793	109,338	1,455
Social Services	4,500	3,098	1,402
Roads	645,787	607,485	38,302
Capital Projects	135,532	135,532	
Administration	249,137	217,128	32,009
Total Operating Budget - All General Fund Types	\$ 2,126,045	\$ 1,979,216	\$ 146,829
Other Financing Uses:			
Transfers to Monroe County Fire and Rescue Squad Fund	5,072	5,072	
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 2,131,117</u>	<u>\$ 1,984,288</u>	<u>\$ 146,829</u>
Expenditure Category	Special Revenue Fund Type		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Social Services	\$ 32,319	\$ 24,819	\$ 7,500
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 32,319</u>	<u>\$ 24,819</u>	<u>\$ 7,500</u>

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SCHEDULE OF OTHER EXPENDITURES

MONROE COUNTY
SCHEDULE OF OTHER EXPENDITURES

Fiscal Year Ended June 30, 2000

<u>Expenditure Items:</u>	<u>Monroe County Fire and Rescue Squad Fund</u>
Building Maintenance	\$ 28
Equipment Maintenance	166
Gas and Oil	1,542
Interest Paid - Borrowed Money	272
Janitorial Supplies	123
New Equipment	11,628
Office Supplies	736
Radio and Pagers	1,203
Telephone	780
Training	958
Utilities	1,222
Vehicles	13,895
Vehicle Maintenance	3,312
Miscellaneous	<u>259</u>
Total	<u><u>\$ 36,124</u></u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Russell Young, Monroe County Judge/Executive
Members of the Monroe County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Monroe County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated February 5, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Monroe County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monroe County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Russell Young, Monroe County Judge/Executive
Members of the Monroe County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
February 5, 2001

COMMENT AND RECOMMENDATION

MONROE COUNTY
COMMENT AND RECOMMENDATION

Fiscal Year Ended June 30, 2000

The Jailer Should Maintain Proper Accounting Records

KRS 68.210 and KRS 441.135(2) require certain minimum accounting requirements for the jail commissary fund. The following records are required: Daily Check Out Sheets, Receipts Journal, Disbursements Journal, and Summary and Reconciliation report. The jailer currently maintains a summary and reconciliation report for each month. We recommend he also maintain daily check out sheets, receipts journal, and disbursements journal for the fiscal year for the jail commissary fund.

County Judge/Executive's Response:

None.

Jailer's Response:

None.

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CERTIFICATION OF COMPLIANCE –
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

MONROE COUNTY FISCAL COURT

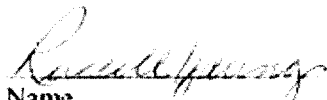
Fiscal Year Ended June 30, 2000

Appendix A

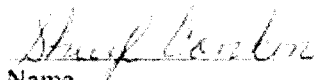
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC PROGRAM
MONROE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Monroe County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes



Name
County Judge/Executive



Name
County Treasurer